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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Southern California Edison Company's Application For Approval of Embedded Energy Efficiency Pilot Programs for 2007-2008.	Application 07-01-024 (Filed January 16, 2007)
Application of Pacific Gas and Electric Company Seeking Approval of Water-Embedded Energy Savings Pilot Program.	Application 07-01-026 (Filed January 16, 2007)
San Diego Gas & Electric Company for Approval of Energy & Water Efficiency Partnership and Budget for Years 2007 Through 2008.	Application 07-01-029 (Filed January 16, 2007)
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**REPLY COMMENTS OF THE NATURAL RESOURCES DEFENSE COUNCIL
(NRDC) ON PROPOSED DECISION OF ALJ WEISSMAN
"ORDER APPROVING PILOT WATER CONSERVATION PROGRAMS
WITHIN THE ENERGY UTILITIES' ENERGY EFFICIENCY PROGRAMS"**

December 10, 2007

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I. Introduction and Summary

The Natural Resources Defense Council ("NRDC") respectfully submits these reply comments on ALJ Weissman's Proposed Decision ("PD"), "Order Approving Pilot Water Conservation Programs Within the Energy Utilities' Energy Efficiency Programs," dated November 15, 2007, in accordance with Rules 14.3, 1.9, and 1.10 of the California Public Utilities Commission's ("CPUC" or "Commission") Rules of Practice and

Procedure, and the PD's provision¹ allowing comments that go to its merits in addition to the normal scope of comments on proposed decisions and its waiver of page limits.

NRDC provided opening comments on the PD on December 5, 2007. NRDC is a non-profit membership organization with a long-standing interest in minimizing the societal costs of the reliable energy and water services that a healthy California economy needs. In this proceeding, we focus on representing our more than 124,000 California members' interest in receiving affordable energy and water services and reducing the environmental impacts of California's energy and water consumption.

NRDC's opening comments on the PD focused primarily on the importance of providing for an ongoing advisory role for interested parties in this proceeding, and other stakeholders selected by the Energy Division, in the design and implementation of the various studies approved in the PD, including the further development of the Energy Division's water embedded energy calculator. In these reply comments, NRDC addresses the applicant utilities' opening comments as they bear on these issues, and we also respond briefly to several other points raised in parties' opening comments.²

NRDC's reply comments are summarized as follows. Comments 3 through 5 stand on their own and therefore are not further elaborated upon in these reply comments.

1. NRDC agrees with all the applicant utilities that the proposed EM&V Study Plan requires additional review and input. However, the utilities' focus on hired water industry expertise to fulfill this function should not be to the exclusion of permitting interested parties in this proceeding to also provide review and input.

¹ PD at 85-86.

² Applicant utilities are: Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas and Electric Company (SDG&E), and Southern California Gas Company (SCG).

In addition, the scope of review should go beyond water industry practices to include interrelationships between energy and water use practices.

2. SCE's comments addressing the current form of the Energy Division's water embedded energy calculator suggest that the PD may be ambiguous with respect to the Commission's commitment regarding the calculator's further development. NRDC therefore recommends that the final decision explicitly direct the Energy Division to further develop the calculator to the point that it is capable of analyzing cost effectiveness from all relevant perspectives as noted in the PD -- customer, single energy utility, multiple energy utilities, multiple water and energy utilities, statewide economic potential, and overall society -- and that this be done within the 18-month time frame of this proceeding's programs and studies.
3. NRDC supports the utilities' request to be allowed to begin approved pilot programs prior to July, 2008 as long as the start date of each pilot is coordinated with the Energy Division as proposed by PG&E.
4. NRDC supports the reinstatement of SoCalGas's participation in the Lake Arrowhead Water Conservation Program, as recommended by SoCalGas, SCE, and TURN.
5. NRDC believes that, absent further development, it would be premature to adopt the California Water Association's recommendation for the four utility applicants to enter into pilot programs with Commission-regulated water utilities. Since this effort would be starting from scratch, whereas the proposed pilots have been in development for over a year, NRDC supports having the Commission direct both

the energy and water IOUs to work together to see what additional promising, value-added pilots might be developed within the scope of this proceeding.

II. NRDC Agrees with the Applicant Utilities that the EM&V Study Plan Requires Additional Review and Input, but Such Input Should also Come from Interested Parties to this Proceeding as well as Appropriate Energy-Water Experts Identified by the Energy Division.

All four utility applicants recommend that the EM&V Study Plan described in the PD should receive further review and input since the changes made in the PD to the utilities' applications have not yet been subject to expert and stakeholder review. The utilities recommend that the final EM&V Study Plan "receive a similar level of review as the original utility plan..."³ To accomplish this, the utilities propose, at a minimum, a workshop and comment process on the Study Plan, or more substantially, for the Study Plan to be subject to the same external review requirements as the Commission's energy efficiency program evaluations.⁴ The utilities identify several examples of recommended changes to the new study designs contained in the PD (Appendix B) that such a review and advisory process might produce.⁵

NRDC supports the utilities' comments in this area, as far as they go, but we believe that the Commission's final decision in this proceeding should also incorporate the additional changes recommended in our opening comments. For the sake of clarity we distinguish our comments from those of the utilities, as follows.

³ See, e.g., Comments of Southern California Edison on Proposed Decision in A.07-01-024 *et al*, December 5, 2007 ("SCE Opening Comments"), at 3.

⁴ *Id.*

⁵ *Id.* At 3-4.

1. As we indicated in our opening comments on the PD, NRDC recommends that all the studies in the overall EM&V Study Plan receive substantial review and input from appropriate stakeholders and experts. Our comments are distinguishable from those of the utilities in that we explicitly call for parties to this proceeding to be invited as advisory group members in the design and implementation of the studies undertaken in this proceeding. This recommendation was based not only on the expertise such parties may be able to offer but also because the Commission regularly employs parties as advisors in peer review groups and because parties' ongoing involvement generally bodes well for effective and efficient Commission decision making.
2. Like the utilities, NRDC believes that at an absolute minimum this advisory process should employ the workshop and comment process the Commission has used thus far in the proceeding. However, NRDC strongly recommends that the process be structured with greater stakeholder involvement, such as along the lines of the Commission's use, variously, of energy efficiency Peer Review Groups; the *ad hoc* technical review committees that Energy Division may convene to assist in carrying out its ongoing energy efficiency evaluation, measurement, and verification responsibilities; and the more extensive energy efficiency strategic planning effort currently underway.
3. The utilities recommend that the Energy Division hire consultants with expertise in water use measurement and analysis to assist in the development of a final EM&V Study Plan.⁶ NRDC believes that the requisite expertise extends beyond

⁶ *Id.* at 3.

such water industry expertise to broader expertise capable of addressing the interrelationships between water and energy systems.

4. NRDC's recommendation in its opening comments to create an advisory group was not based on particular concerns about the PD's new study designs but rather on the belief that peer and stakeholder review of such studies is inherently beneficial, especially when – as is the case in this proceeding -- the study areas are breaking new ground both in terms of data and methodology development. While the utilities' opening comments have provided some preliminary evaluations and critiques of the EM&V Study Plan, these comments do not substitute for the fuller review that would be afforded by an ongoing advisory process in which all interested parties in this proceeding, and other experts and stakeholders as approved by the Energy Division, are participating. Careful and coordinated attention, from a variety of expert and stakeholder perspectives, needs to be given to how the studies undertaken by the Energy Division and the utilities are coordinated with each other, how these studies are made to inform the utilities' individual pilot programs (to the extent practicable), and perhaps most importantly, how all of the studies undertaken in this proceeding can best supply the Energy Division's water embedded energy calculator with the data inputs and methodological guidance needed to perform cost-effectiveness calculations that support the Commission's commitment to pursue all cost-effective energy efficiency savings.

III. To Remove Any Ambiguity Regarding the Commission's Intentions to Further Develop the Water Embedded Energy Calculator, NRDC Recommends that the Final Decision Explicitly Direct the Energy Division to Further the Calculator's Development to the Point that it is Capable of Analyzing Cost Effectiveness from All Relevant Perspectives.

SCE's opening comments on the PD describe certain deficiencies of the current water embedded energy calculator, and encourage its additional refinement "...so that it can be a more useful tool in assessment of statewide water and energy costs and benefits."⁷ During NRDC's review of these comments it became apparent that the PD might be somewhat ambiguous regarding the Commission's stated intention to further develop the calculator so that it is capable of quantifying the cost effectiveness of water-energy savings programs from all relevant perspectives, or as the PD puts it, "from the multiple perspectives of a customer, a single energy utility, multiple energy utilities, multiple water and energy utilities, statewide economic potential, and overall society."⁸ While the PD indicates its support for the development of these multiple capabilities, it falls short of committing to their development, stating instead that the Commission "...will explore adding these calculations to the current calculator in the near future."⁹

A fully developed calculator, capable of assessing cost effectiveness from all relevant perspectives, is a prerequisite to estimating the overall magnitude of cost-effective savings possible both from programs undertaken by the applicant utilities and on a statewide basis, as well as for evaluating the cost effectiveness of individual utility programs. NRDC recommends that such a critically important aspect of this proceeding

⁷ *Id.* at 7.

⁸ PD at 78.

⁹ PD at 79.

not be relegated to an uncertain future. There would appear to be no reason why work on the calculator could and should not commence immediately. NRDC therefore recommends that the final decision direct the Energy Division to begin work on the calculator as soon as practicable with the goal of developing a complete working model by the end of the 18-month study and pilot development period set out in the PD. In support of this recommendation NRDC proposes the following new conclusion of law and ordering paragraph:

New conclusion of law: The Commission should direct the Energy Division to further develop the water embedded energy calculator so that it is capable of analyzing the cost-effectiveness of water-energy savings from the multiple perspectives of a customer, a single energy utility, multiple energy utilities, multiple water and energy utilities, statewide economic potential, and overall society.

New ordering paragraph: As soon as practicable following the issuance of this decision the Energy Division shall begin efforts to further develop the Energy Division's water embedded energy calculator to the point that, by June 30, 2009 if not before, it is capable of analyzing the cost-effectiveness of water-energy savings from the multiple perspectives of a customer, a single energy utility, multiple energy utilities, multiple water and energy utilities, statewide economic potential, and overall society. With respect to its funding and contracting arrangements this undertaking may be done in accordance with the provisions of ordering paragraphs #4 and #5 of this decision.

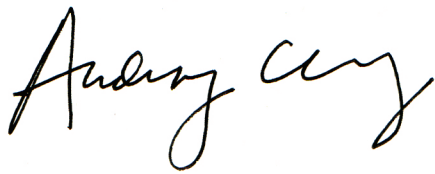
V. Conclusion

NRDC supports adoption of the PD with the recommended changes contained in NRDC's opening comments and subject to the changes and clarifications described in these reply comments. NRDC looks forward to continuing to work with the

Commission, the utilities, and other parties and stakeholders to develop the strongest possible basis for determining the future scope and scale of this promising new energy efficiency area.

Dated: December 10, 2007

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Audrey Chang". The signature is fluid and cursive, with the first name "Audrey" written in a larger, more prominent script than the last name "Chang".

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the **“REPLY COMMENTS OF THE NATURAL RESOURCES DEFENSE COUNCIL (NRDC) ON PROPOSED DECISION OF ALJ WEISSMAN ‘ORDER APPROVING PILOT WATER CONSERVATION PROGRAMS WITHIN THE ENERGY UTILITIES’ ENERGY EFFICIENCY PROGRAMS”** in the matter of A. 07-01-024 *et al.* to all known parties of record in this proceeding by delivering a copy via email or by mailing a copy properly addressed with first class postage prepaid.



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